

Message Text

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ORIGIN NEA-10

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DRAFTED BY NEA/INS:JRGRAHAME:JES:EI

APPROVED BY NEA/INS:DKUX

JUSTICE:BRISTAU

AID/ASIA/SA:MHAGER

AID/ASIA/PD:HKATZ

----- 063296

O 172207Z SEP 76

FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI IMMEDIATE

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FOR PAUL KRESIBERG FROM DENNIS KUX

E.O. 11652: N/A

TAGS: OGEN, IN

SUBJECT: EAST INDIA HOTELS AND PIBCO LOANS

REF: NEW DELHI 13721

1. SCHNEIDER AND KUX MET SEPT. 16 WITH BRUNO RISTAU, CHIEF FOREIGN LITIGATION, DEPT. OF JUSTICE, AND MIKE HAGER AND HERMAN KATZ OF AID FOR FULL REVIEW OF SUBJECT CASES.

2. ON EAST INDIA HOTELS, MEETING USEFUL IN CLARIFYING POSSIBLE MISUNDERSTANDING CONCERNING WHOSE COURT BALL IS IN. THIS MISUNDERSTANDING, INVOLVING DISTINCTION BETWEEN INFORMING INDIANS THAT LOAN WAS BEING CALLED AND FORMAL ACTION TO INITIATE LITIGATION, HAS BEEN RESOLVED. MEETING CONCLUDED IN AGREEMENT THAT AID AND JUSTICE WOULD INITIATE PAPERWORK PREPARATORY TO LITIGATION ON EIH, A PROCESS WHICH
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SHOULD BE COMPLETED IN 20-30 DAYS. RISTAU EMPHASIZED THAT

INITIATION OF LEGAL ACTION WOULD NOT CLOSE DOOR TO NEGOTIATED AND MUTUALLY ACCEPTABLE SOLUTION, AND HOPED IT MIGHT PROMPT SUCH A SOLUTION.

3. RISTAU, WHO HAD SPOKEN TO RAKESTRAW IMMEDIATELY PRIOR TO OUR MEETING, ASSURED US THAT JUSTICE WOULD DO ALL POSSIBLE TO CARRY OUT AMBASSADOR'S RECOMMENDATIONS. HOWEVER, HE STATED HIS BELIEF THAT THE EAST INDIA HOTEL (EIH) LOAN, WHICH IS SECURED BY MORTGAGE, OFFERED THE BEST VEHICLE FOR LITIGATION, WHILE PIBCO, WHERE OUR LOAN IS UNSECURED, WOULD BE LIKELY TO INVOLVE LENGTHY AND EXPENSIVE LITIGATION WITHOUT FINANCIAL RECOVERY FOR THE USG. SCHNEIDER STRESSED THE IMPORTANCE OF LEGAL ACTION AGAINST PIBCO BECAUSE OF ITS VALUE AS A PRECEDENT AND INDICATION OF U.S. SERIOUS INTENT TO OTHER INDIAN DEBTOR COMPANIES SUCH AS HINDUSTAN MOTORS. RISTAU REITERATED HIS BELIEF THAT THE EIH CASE OFFERED US A MORE REALISTIC PRECEDENT, BUT AGREE THAT JUSTICE WOULD CONTINUE TO REVIEW THE PIBCO ISSUE.
ROBINSON

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